

MEMORANDUM OF UNDERSTANDING
executed by the
UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
acting by and through the
BONNEVILLE POWER ADMINISTRATION
and
PORTLAND GENERAL ELECTRIC COMPANY
(Relating to the proposed Cascade Crossing Project)

This MEMORANDUM OF UNDERSTANDING (MOU) is entered into as of this 25th day of January, 2011 by and between Bonneville Power Administration (BPA), and Portland General Electric Company (PGE), hereinafter individually "Party," and collectively "Parties."

WHEREAS, the Parties desire to share certain confidential and proprietary information in order to discuss potential equity ownership opportunities in the proposed Cascade Crossing project (Project) and other related facilities and are executing a Confidentiality and Non-Disclosure Agreement (NDA) relating to such information concurrently with execution of this Agreement; and

WHEREAS, PGE is an electric utility that owns and operates facilities for the transmission of electric power and energy to over 800,000 customers in 52 Oregon cities within a 4,000-square-mile service territory;

WHEREAS, BPA is a self-funding, federal agency based in the Pacific Northwest which operates and maintains high-voltage transmission to, among other things, integrate and transmit power from federal and non-federal generating units, provide interregional interconnections, and maintain electrical reliability and stability;

WHEREAS, PGE is developing a double-circuit, 500 kV transmission line which, when completed, will extend from Boardman, Oregon, to the vicinity of Salem, Oregon, and will include new or upgraded substations, interconnections in central Oregon and other necessary equipment and facilities;

WHEREAS, the Parties mutually desire to promote system reliability and cost effective transmission; and

NOW THEREFORE, in consideration of the mutual obligations and undertakings herein, the sufficiency of which is acknowledged, the Parties agree as follows:

1. EFFECTIVE DATE

This MOU shall be effective (Effective Date) on the date of execution by both Parties (Date of Execution).

2. TERMINATION

This MOU shall terminate on December 31, 2011 unless: (i) both Parties agree to extend the MOU; or (ii) a Party terminates this MOU upon 90 day written notice to the other Party.

3. AMENDMENTS

No amendment of this MOU shall be of any force or effect unless set forth in a written instrument signed by authorized representatives of each Party.

4. ENTIRE MOU

This MOU, including documents expressly incorporated by reference, constitutes the entire MOU between the Parties. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this MOU.

5. INFORMATION EXCHANGE

Upon request, each Party shall provide the other Party with any information that is necessary to administer this MOU, subject to the provisions of the NDA.

6. ISSUES FOR DISCUSSION

- (a) During the term of this MOU, both Parties shall, in good faith, discuss certain opportunities for cooperation associated with the development of the Project.
- (b) In particular, the Parties agree to consider:
 - (1) The potential connection of one line of the Project to the BPA Santiam 500 kV substation and certain related possibilities such as:
 - (A) Coordinated rating studies and allocation of capacity between the existing West of Cascades South (WOCS) path and the Project.
 - (B) A joint study of optimum substation locations to minimize costs while achieving regional objectives.
 - (2) The coordination of transmission corridor utilization on tribal lands.

- (3) PGE utilization of BPA Right-of-Way in federal forest agency land west of tribal land.
- (c) In addition to those issues identified in Section 6(b) above, the Parties agree to consider and discuss the commercial issues and joint venture opportunities described on Exhibit A hereto.
- (d) Each Party shall select a senior-level representative (Representative) to be responsible for coordinating such Party's activities under this MOU. Each Party commits to provide its Representative with the support and resources necessary to further the purposes of this MOU.
- (e) If appropriate, the Parties agree to negotiate mutually satisfactory documents necessary to memorialize any agreements reached by the Parties regarding the issues set forth in this Section 6 and Exhibit A by no later than June 1, 2011.

7. NATURE OF MOU

This MOU is not intended to be a binding agreement as to any of the issues set forth in Section 6 and Exhibit A and no binding agreement will exist between the Parties with respect to any such issues unless and until the Parties execute and deliver one or more mutually satisfactory definitive agreements as contemplated by Section 6(e) above. Notwithstanding the foregoing, the Parties intend for Sections 8, 9, and 11 of this MOU to be binding on the Parties as of the Effective Date.

8. LIMITATION OF LIABILITY

- (a) Each of the Parties acknowledges and agrees that: (i) the other Party has not determined as of the Effective Date that an agreement on any of the issues listed in Section 6 and Exhibit A is desirable; (ii) the other Party's decision to consider and discuss certain possible areas of cooperation is within the other Party's sole and absolute discretion and that the other Party may terminate this MOU at any time for any reason whatsoever or for no reason; and (iii) the other Party shall not be liable to it for any claim, loss, cost, liability, damage or expense, including any direct damage or any special, indirect, exemplary, punitive, incidental or consequential loss or damage (including any loss of revenue, income, profits or investment opportunities or claims of third party customers), arising out of or directly or indirectly related to the other Party's decision to terminate this MOU or the other Party's performance under this MOU.
- (b) The rights and obligations under this Section 8 shall survive the expiration and termination of this MOU.

9. GENERAL PROVISIONS

- (a) This MOU represents the entire agreement between the Parties and supersedes any prior written or oral agreements or understandings between the Parties relating to the subject matter of this MOU, provided that nothing in this MOU shall limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of each of the Parties as provided by agreement (including the NDA), statute or any other law or applicable court or regulatory decision.
- (b) This MOU is for the sole and exclusive benefit of the Parties and shall not create a contractual relationship with, or cause of action in favor of, any third party.
- (c) In the event that any provision of this MOU is determined to be invalid or unenforceable for any reason, in whole or part, the remaining provisions of this MOU shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law, and such invalid or unenforceable provision shall be replaced by the Parties with a provision that is valid and enforceable and that comes closest to expressing the Parties' intention with respect to such invalid or unenforceable provision.
- (d) Each Party shall be solely responsible for and shall pay its own costs and expenses incurred by it in connection with the negotiation of this MOU.
- (e) Whenever this MOU requires or provides that (i) a notice be given by a Party to the other Party or (ii) a Party's action requires the approval or consent of the other Party, such notice, consent or approval shall be given in writing and shall be given in accordance with the provisions of Exhibit B to this MOU.
- (f) Nothing contained in this MOU shall be construed as creating a corporation, company, partnership, association, joint venture or other entity, nor shall anything contained in this MOU be construed as creating or requiring any fiduciary relationship between the Parties. No Party shall be responsible hereunder for the acts or omissions of the other Party. Nothing herein shall preclude (i) a Party from taking any action (or having its affiliates take any action) with respect to any other transmission project, including any such project that may compete with the Project, or (ii) PGE, or the Parties jointly from entering into agreements with third parties for the joint development, construction, ownership or operation of the Project or for the provision of transmission capacity from the Project.

10. WAIVER

No waiver of any provision or breach of this MOU shall be effective unless such waiver is in writing and signed by the waiving Party, and any such waiver shall not be deemed a waiver of any other provision of this MOU or any other breach of this MOU.

11. SIGNATURE

The Parties have caused this MOU to be executed as of the date both Parties have signed this MOU.

PORTLAND GENERAL ELECTRIC
COMPANY

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By: /S/ FRANK AFRANJI

By: /S/ CRAIG HARDIN

Name: Frank Afranji
(Print/Type)

Name: Craig Hardin
(Print/Type)

Title: Director Transmission and
Reliability Services

Title: Transmission Account Executive

Date: January 25 2011

Date: January 21 2011

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EXHIBIT A
COMMERCIAL ISSUES AND JOINT VENTURE OPPORTUNITIES

1. Connection of Coyote Springs Plant to Cross Cascade South Project. Parties to discuss this issue independently or together with the following:
 - (a) Potential development and connection of the Project to proposed BPA Longhorn substation;
 - (b) Potential provision of transmission capacity west from Longhorn to Slatt or BPA's future Station K, via the Project, including potential utilization of PGE's Boardman - Slatt 500 kV line by BPA for further east-west transmission capacity;
 - (c) Potential common interests in upgrades to BPA's east to west corridor through the City of Boardman, Oregon; or
 - (d) Potential joint usage and reconstruction of BPA Boardman-Ione 69 kV line to facilitate transmission west from Longhorn and a connection to Idaho Power's B2H project
2. The potential connection of Ashe-Marion and Ashe-Slatt-Buckley-Marion 500 kV lines with Cross Cascade South Project at BPA's future Station K site.
3. Sharing of interconnection request queue information, consistent with FERC OATT requirements, to identify duplicate requests related to PGE's Project and BPA projects.
4. Potential sale/trade/assignment of capacity:
 - (a) To PGE – south to north capacity on BPA's Marion-Pearl 500 kV line,
 - (b) To BPA – east to west capacity on the Project.
5. Enhanced coordination on wind integration efforts.
6. Potential joint transmission development from the Oregon coast to the Willamette Valley.

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EXHIBIT B NOTICES

Any notice required under this MOU shall be in writing and shall be delivered in person; or with proof of receipt by a nationally recognized delivery service or by United States Certified Mail. Notices are effective when received. Either Party may change the name or address for receipt of notice by providing notice of such change. The Parties shall deliver notices to the following person and address:

If to the Transmission Customer:

Portland General Electric Company
121 SW Salmon Street
Portland, OR 97204 3WTC0506
Attention: Director, Transmission &
Reliability Services, Frank Afranji
Phone: (503) 464-7033
Fax: (503) 464-7796

If to the Transmission Provider:

Attention: Transmission Account
Executive for Portland General Electric
Company – TSE/TPP-2
Phone: (360) 619-6016
Fax: (360) 619-6940

If by First Class Mail:

Bonneville Power Administration
P.O. Box 61409
Vancouver, WA 98666-1409

If by Overnight Delivery Service:

Bonneville Power Administration –
TSE/TPP-2
7500 NE 41st Street – Suite 130
Vancouver, WA 98662-7905

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